

## Message Text

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PAGE 01 HONG K 12123 100955Z

17

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 /096 W

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R 100832Z OCT 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 7463

INFO USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMEMBASSY SINGAPORE

AMEMBASSY MANILA

AMEMBASSY BANGKOK

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: EFIN CH US

SUBJ: BANK OF AMERICA ESTABLISHES CORRESPONDENT RELATIONSHIP WITH

BANK OF CHINA

REF: 1973 HONG KONG 6726

SUMMARY: THE BANK OF CHINA AND THE BANK OF AMERICA HAVE AGREED TO ESTABLISH A CORRESPONDENT BANK RELATIONSHIP BASICALLY LIMITED TO FOREIGN REMITTANCES. THOUGH DEVELOPMENT INTO A COMPLETE BANKING RELATIONSHIP AWAITS SETTLEMENT OF THE FROZEN ASSET ISSUE, BANK OF AMERICA'S NEXT STEP WILL BE TO SEEK EXTENSION OF THE LIMITED CORRESPONDENT RELATIONSHIP TO ITS BANGKOK AND MANILA BRANCHES. THIS AGREEMENT IS ALMOST IDENTICAL TO THE ONE SIGNED IN 1973 WITH CHASE MAHATTEN BANK. END SUMMARY

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PAGE 02 HONG K 12123 100955Z

BEGIN UNCLASSIFIED

1. AT A LOCAL PRESS CONFERENCE OCTOBER 8, BANK OF AMERICA (BOA) VICE PRESIDENT AND ASIA REPRESENTATIVE LOUIS SAUBOLLE RELEASED A PRESS STATEMENT FROM BOA PRESIDENT CLAUSEN ANNOUNCING AGREEMENT WITH THE BANK OF CHINA (BOC) TO ESTABLISH A CORRESPONDENT BANK RELATIONSHIP LIMITED TO "PERSONNAL" TRANSACTIONS SUCH AS FOREIGN REMITTANCES, BUT EXCLUDING "COMMERCIAL" TRANSACTIONS SUCH AS COMMERCIAL LETTERS OF CREDIT AND RECIPROCAL DEPOSIT ACCOUNTS. THE AGREEMENT ALLOWS FOR EMISSIONS TO BE DIRECTLY TRANSFERRED BY MAIL AND TELEGRAPH BETWEEN BOA'S OVER 1000 COMMUNITY OFFICES IN CALIFORNIA, AND EIGHT BOC OFFICES IN PEKING, KWANGCHOW, AMOY, FUCHOW, SHANGHAI, TSINGTAO, TIENTSIN, AND TALIEN.

THOUGH THE AGREEMENT SPECIFICALLY INCLUDES TRAVELER'S LETTERS OF CREDIT, BOA HAS PAUSED THESE OUT IN FAVOR OF BOA TRAVELER'S CHECKS, WHICH HAVE BEEN ACCEPTED IN THE PRC EVER SINCE 1973 WHEN SAUBOLLE NEGOTIATED SUCH AN AGREEMENT WITH LOCAL BOC OFFICIALS.

2. BEGIN LIMITED OFFICIAL USE: IN A PRIVATE MEETING LATER WITH CONGENOFFS, SAUBOLLE, EXPLAINED THAT CLAUSEN, DURING HIS MAY 1975 VISIT TO PEKING WITH THE SAN FRANCISCO CHAMBER OF COMMERCE, INITIATED DISCUSSIONS WITH BOC GENERAL MANAGER CHIAO PEI-HSIN. NEGOTIATIONS, WHICH CONTINUED THROUGH LETTERS BETWEEN CHIAO AND CLAUSEN, WERE COMPLETED IN LAST SEPTEMBER. SAUBOLLE HOPES THAT ONCE THE FROZEN ASSETS ISSUE IS SOLVED THAT COMPLETE BANKING RELATIONSHIPS WILL BE ESTABLISHED. IN THAT REGARD, THE SOLE REQUIREMENT IS AN EXCHANGE OF CONFIRMING CABLES, SINCE TEST KEYS AND AUTHORIZED SIGNATURES, NECESSARY FOR AUTHENTICATING TELEGRAPHIC TRANSFER OF REMITTANCES, HAVE ALREADY BEEN EXCHANGED. IN THE MEANTIME, BOA WILL SEEK TO EXTEND THE LIMITED CORRESPONDENT RELATIONSHIP TO ITS BRANCHES IN MANILA AND BANGKOK. IN THAT CONNECTION, THE BOC ALREADY HAS FULL CORRESPONDENT RELATIONS WITH THREE PHILIPPINE BANKS, THE PRIVATELY-OWNED FAR EAST BANK AND TRUST CO., AND THE GOVERNMENT-OWNED PHILIPPINE NATIONAL BANK AND THE PHILIPPINE VETERANS BANK, WHILE NO THAI BANK HAS YET ANNOUNCED SUCH A RELATIONSHIP.

3. THE ACCORD IS ALMOST IDENTICAL WITH THE CHASE MAHATTEN BANK LIMITED OFFICIAL USE

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PAGE 03 HONG K 12123 100955Z

AGREEMENT, ANNOUNCED BY DAVID ROCKEFELLER IN HONG KONG WITH A SPLASH OF PUBLICITY ON JULY 4, 1973 (REFTEL). BOA CLAIMS THAT ITS AGREEMENT IS BROADENED IN PROVIDING FOR DIRECT TRANSFERS TO SEVEN ADDITIONAL CITIES, WHILE A LOCAL CHASE EXECUTIVE, CONFIRMING THAT ALL OF CHASE'S TRANSFERS ARE TO THE BOC PEKING HEAD OFFICE, CLAIMS THAT THIS ARRANGEMENT SATISFIES CHASE.

4. COMMENT: IN SIGNING THE AGREEMENT, THE BOC IS LARGE PART

MAY HAVE INTENDED TO FACILITATE, AND THUS ENCOURAGE A GREATER FLOW OF REMITTANCES FROM CALIFORNIA -RESIDENT CHINESE WITH RELATIVES IN KWANGTUNG AND FUKIEN PROVINCES. INCREASED HARD CURRENCY REMITTANCES WOULD BE PARTICULARLY WELCOME NOW WHEN THE PRC IS FINANCING A BALANCE OF TRADE DEFICIT.

5. IN ADDITION, THIS AGREEMENT FOLLOWS SEVERAL RECENT BOC MOVES TO MAKE GREATER USE OF US DOLLARS IN INTERNATIONAL TRADE. PREVIOUSLY, THE BOC HAD SUGGESTED THAT STEPS SUCH AS THE SPRING CANTON FAIR'S RELATIVELY COMMON USE OF US DOLLAR DENOMINATED CONTRACTS, AND PROVIDING FORWARD RMB FOR US DOLLARS WOULD BE DEPENDENT UPON PRIOR SETTLEMENT OF THE FROZEN ASSETS ISSUE. NOW THE BOC SEEMS MORE RELAXED ABOUT USING US DOLLARS. BESIDES ENCOURAGING REMITTANCES, THIS AGREEMENT MAY ALSO REFLECT, THEN A MORE OPEN BOC APPROACH TO US FINANCIAL INSTITUTIONS WITHIN THE LEGAL LIMITATION SET BY THE FROZEN ASSETS PROBLEM.

CROSS

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